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## 1. CORPORATE INFORMATION

Prime Investments Holdings Limited (the “Company”) was incorporated on 12 July 2000 in the Cayman Islands under the Companies Law as an exempted company with limited liability. On 16 October 2001, the registered office of the Company was changed from Zephyr House, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies to Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The Company’s principal place of business is located at Room 2505, 25th Floor, 9 Queen’s Road Central, Central, Hong Kong.

The Company is an investment holding company while the Group is principally engaged in the investment in listed and unlisted companies established and/or doing business in Hong Kong and other parts of the PRC.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year’s financial statements:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 18 (Revised)	Revenue
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
Interpretation 12	Business combinations – subsequent adjustment of fair values and goodwill initially reported
Interpretation 13	Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on the preparation of financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. As no dividend was declared by the Company in the prior period, no prior year adjustment is required.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries, investment securities and trading securities, that are declared and approved by the subsidiaries, investment securities and trading securities, after the balance sheet date are no longer recognised in the Company’s or the Group’s own financial statements for the year. SSAP 18 has had no major impact on these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The Group is principally engaged in the investment in listed and unlisted companies. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group’s turnover, contribution to operating profit, assets and liabilities are attributable to markets outside the PRC (including Hong Kong).

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## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. SSAP 28 has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. In accordance with SSAP 31, the Group is required to assess at each balance sheet date whether there are any indications that assets (including fixed assets, intangible assets and goodwill arising on acquisition of subsidiaries and associates) may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. This SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in the prior period financial statements. SSAP 31 has had no major impact on these financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no major impact on the preparation of these financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of equity investments, as further explained below.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment of assets (Continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior period.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 <sup>1</sup> / <sub>3</sub> %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

#### Investment securities

Investment securities are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases or projected cash flows of the securities or comparison of price/revenue ratios, price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of an investment security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Trading securities

Trading securities are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

#### Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) income from securities trading, when the transactions are completed;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (c) dividends, when the shareholders' right to receive payment has been established.

#### Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

#### Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to the MPF Scheme being effective, the Group did not have any retirement scheme.

### 4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. The Group is principally engaged in the investment in listed and unlisted companies. Accordingly, no analysis of business segment is provided. No geographical analysis is presented as none of the Group's turnover, contribution to operating profit, assets and liabilities are attributable to markets outside the PRC (including Hong Kong).

# NOTES TO FINANCIAL STATEMENTS

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## 5. TURNOVER AND REVENUE

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of turnover and other revenue is as follows:

	Year ended 30 June 2002 HK\$	Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
<b>Turnover</b>		
Proceeds from sale of trading securities	2,891,700	—
<b>Other revenue</b>		
Interest income	245,699	51,846
Dividend income from trading securities	15,000	—
	<u>260,699</u>	<u>51,846</u>
	<u>3,152,399</u>	<u>51,846</u>

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Year ended 30 June 2002 HK\$	Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Depreciation	90,186	5,523
Lease payments under operating leases on land and buildings	405,469	30,682
Auditors' remuneration	120,000	100,000
Staff costs (excluding directors' remuneration, see note 7):		
Wages and salaries	407,132	30,586
Net pension contributions	19,612	—
	<u>426,744</u>	<u>30,586</u>
Loss on disposal of fixed assets	<u>142,915</u>	<u>—</u>

At 30 June 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil).

# NOTES TO FINANCIAL STATEMENTS

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## 7. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

### (a) Directors

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	<b>Year ended 30 June 2002 HK\$</b>	<b>Group</b> Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Fees	<u>90,000</u>	<u>7,500</u>
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<u>600,000</u>	50,000
Pension scheme contributions	<u>12,000</u>	–
	<u>612,000</u>	<u>50,000</u>
	<u>702,000</u>	<u>57,500</u>

The directors' fees disclosed above include HK\$60,000 (2001: HK\$5,000) paid to the non-executive and independent non-executive directors.

The remuneration of each of the directors fell within the remuneration band of Nil to HK\$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

### (b) Five highest paid individuals

The five highest paid individuals during the year included three (2001: three) directors, details of whose remuneration are set out in note 7(a) above. Details of the remuneration of the remaining two (2001: two) non-director, highest paid individuals are as follows:

	<b>Year ended 30 June 2002 HK\$</b>	<b>Group</b> Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	<u>407,132</u>	30,586
Pension scheme contributions	<u>19,612</u>	–
	<u>426,744</u>	<u>30,586</u>

The remuneration of each of these two individuals fell within the remuneration band of Nil to HK\$1,000,000.

# NOTES TO FINANCIAL STATEMENTS

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## 8. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits during the year (period ended 30 June 2001: Nil).

The principal components of the unprovided net deferred tax assets of the Group and the Company at each of the balance sheet dates are as follows:

	Group and Company	
	2002 HK\$	2001 HK\$
Tax losses	830,330	98,389
Accelerated depreciation allowances	(15,027)	(32,108)
	<u>815,303</u>	<u>66,281</u>

## 9. NET LOSS FOR THE YEAR/PERIOD ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 30 June 2002 dealt with in the financial statements of the Company, was HK\$5,005,570 (period ended 30 June 2001: HK\$433,715).

## 10. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year attributable to shareholders of HK\$4,971,570 (period ended 30 June 2001: HK\$467,715) and 40,000,000 (period ended 30 June 2001: the weighted average of 3,137,007) ordinary shares in issue during the year. No diluted loss per share is presented as there were no dilutive events existed during the current year or the prior period.

## 11. FIXED ASSETS

	Group and Company		
	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
Cost:			
At beginning of year	182,475	89,337	271,812
Additions	88,278	66,884	155,162
Disposals	(166,046)	(10,734)	(176,780)
At 30 June 2002	<u>104,707</u>	<u>145,487</u>	<u>250,194</u>
Accumulated depreciation:			
At beginning of year	3,041	2,482	5,523
Charge for the year	47,071	43,115	90,186
Disposals	(30,732)	(3,133)	(33,865)
At 30 June 2002	<u>19,380</u>	<u>42,464</u>	<u>61,844</u>
Net book value:			
At 30 June 2002	<u>85,327</u>	<u>103,023</u>	<u>188,350</u>
At 30 June 2001	<u>179,434</u>	<u>86,855</u>	<u>266,289</u>

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## 12. INVESTMENT SECURITIES

	Group	
	2002 HK\$	2001 HK\$
Unlisted equity securities, at fair value	<u>20,000,000</u>	<u>–</u>

As at 30 June 2002, the carrying amounts of interests in the following companies exceeded 10% of total assets of the Group.

Name	Place of incorporation	Particulars of equity interests held	Investment value		Interest held
			Acquisition cost HK\$	At fair value HK\$	
China Link Investment Group Limited (note i)	The British Virgin Islands	Ordinary shares of US\$1.00 each	5,000,000	5,000,000	22%
Auto System Limited (notes ii)	The British Virgin Islands	Ordinary shares of US\$1.00 each	5,000,000	5,000,000	2.5%
Zhongshan Chinese Standard Building Materials Company Limited (note iii)	The PRC	Registered capital of RMB525,000	5,000,000	5,000,000	5%
China Legal Network.com Limited (note iv)	The British Virgin Islands	Ordinary shares of US\$1.00 each	5,000,000	5,000,000	30%

Notes:

- (i) China Link Investment Group Limited is principally engaged in the development of a website providing on line professional consultancy services in the PRC.
- (ii) Auto System Limited is principally engaged in the development and installation of household automated surveillance systems in Hong Kong and the PRC.
- (iii) Zhongshan Chinese Standard Building Materials Company Limited is principally engaged in the production and distribution of window frames in the PRC.
- (iv) China Legal Network.com Limited is principally engaged in the development of a website providing legal information in the PRC.

## 13. DEPOSIT FOR AN UNLISTED EQUITY INVESTMENT

On 22 June 2001, the Group entered into an agreement to invest HK\$5,000,000 for a 20% equity interest in Sunkock Development Limited, a company engaged in the development of medical products in the PRC, and a deposit of HK\$1,000,000 was paid by the Group on that date. An additional deposit of HK\$4,000,000 was made by the Group on 20 August 2001.

## 14. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	48	32
Due from subsidiaries	<u>25,318,244</u>	<u>1,033,968</u>
	<u>25,318,292</u>	<u>1,034,000</u>



# NOTES TO FINANCIAL STATEMENTS

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## 14. INTERESTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Double Lucky Invest Co., Ltd.	The British Virgin Islands	US\$1.00	100	–	Investment holding
Sun Talent Investment Co., Ltd.	The British Virgin Islands	US\$1.00	100	–	Investment holding
Sure Bright Investment Co., Ltd.	The British Virgin Islands	US\$1.00	100	–	Investment holding
Market Place Investment Co., Ltd.	The British Virgin Islands	US\$1.00	100	–	Investment holding
Sino Jumbo Investment Co., Ltd.	The British Virgin Islands	US\$1.00	100	–	Investment holding
Magic Fair Limited	The British Virgin Islands	US\$1.00	100	–	Dormant

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## 15. TRADING SECURITIES

### Group and Company

	2002 HK\$	2001 HK\$
Listed equity securities in Hong Kong, at market value	<b>793,180</b>	–

The market value of the Group's and the Company's trading securities at the date of approval of these financial statements was approximately HK\$576,000.

## 16. SHARE CAPITAL

### Shares

### Company

	2002 HK\$	2001 HK\$
Authorised: 200,000,000 ordinary shares of HK\$0.10 each	<b>20,000,000</b>	20,000,000
Issued and fully paid: 40,000,000 ordinary shares of HK\$0.10 each	<b>4,000,000</b>	4,000,000

### Share options

The Company operates a share option scheme further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 11 to 12.

# NOTES TO FINANCIAL STATEMENTS

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## 16. SHARE CAPITAL (Continued)

### Share options (Continued)

The Scheme was approved by the shareholders of the Company on 24 May 2001. The directors of the Company may, at their discretion, invite employees, including executive directors of the Company, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated by the Scheme. As at 30 June 2002, no options have been granted under the Scheme (2001: Nil).

## 17. RESERVES

### Group

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
Issue of shares	36,000,000	–	36,000,000
Share issue expenses	(5,055,113)	–	(5,055,113)
Net loss for the period	–	(467,715)	(467,715)
At 30 June 2001 and beginning of year	30,944,887	(467,715)	30,477,172
Net loss for the year	–	(4,971,570)	(4,971,570)
At 30 June 2002	<u>30,944,887</u>	<u>(5,439,285)</u>	<u>25,505,602</u>

### Company

	Share premium account HK\$	Accumulated losses HK\$	Total HK\$
Issue of shares	36,000,000	–	36,000,000
Share issue expenses	(5,055,113)	–	(5,055,113)
Net loss for the period	–	(433,715)	(433,715)
At 30 June 2001 and beginning of year	30,944,887	(433,715)	30,511,172
Net loss for the year	–	(5,005,570)	(5,005,570)
At 30 June 2002	<u>30,944,887</u>	<u>(5,439,285)</u>	<u>25,505,602</u>

At 30 June 2002, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$25,505,602 (2001: HK\$30,511,172). Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

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## 18. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of loss before tax to net cash outflow from operating activities

	Year ended 30 June 2002 HK\$	Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Loss before tax	(4,971,570)	(467,715)
Interest income	(245,699)	(51,846)
Dividend income from trading securities	(15,000)	–
Loss on disposal of fixed assets	142,915	–
Depreciation	90,186	5,523
Unrealised holding loss on trading securities	281,220	–
Increase in a rental deposit	(173,033)	(109,266)
Increase in a deposit for an unlisted equity investment	(4,000,000)	(1,000,000)
Increase in trading securities	(1,074,400)	–
Increase in prepayments, deposits and other receivables	(193,302)	(33,534)
Increase/(decrease) in other payables and accrued liabilities	(187,743)	663,978
Net cash outflow from operating activities	<u>(10,346,426)</u>	<u>(992,860)</u>

## 19. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 30 June 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Within one year	1,096,514	368,184	337,502	368,184
In the second to fifth years, inclusive	838,908	337,502	–	337,502
	<u>1,935,422</u>	<u>705,686</u>	<u>337,502</u>	<u>705,686</u>

## 20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following commitments at the balance sheet date:

	Group
	2002 HK\$
Capital commitment for investment of the Group: Contracted, but not provided for	<u>–</u>
	<u>4,000,000</u>

The Company had no material outstanding commitments at the balance sheet date (2001: Nil).

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## 21. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are summarised as follows:

	Notes	Year ended 30 June 2002 HK\$	Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Investment management fee paid to the Interim Investment Manager	(a)	–	14,000
Investment management fee paid to the Investment Manager	(b)	<b>736,000</b>	–

Notes:

- (a) Pursuant to the Interim Investment Management Agreement dated 24 May 2001 entered into between the Company and Pegasus Fund Managers Limited (the "Interim Investment Manager"), the Interim Investment Manager provided interim investment management services to the Company for a monthly management fee payable in advance, calculated at 0.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

Mr. Pong Po Lam, an executive director, has a 91.57% equity interest in the issued share capital of the Interim Investment Manager. The Interim Investment Management Agreement expired on 4 July 2001.

- (b) Pursuant to the Investment Management Agreement dated 24 May 2001 entered into between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance, calculated at 2.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or period.

Ms. Chiu Kam Hing, Kathy, the chairman and an executive director of the Company, has a 30% equity interest in the Investment Manager.

## 22. POST BALANCE SHEET DATE EVENTS

- (a) On 2 August 2002, an ordinary resolution was passed in an extraordinary general meeting to approve a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager, in which the monthly management fee payable in advance to the Investment Manager was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days.
- (b) On 20 September 2002, the Company entered into an agreement with Gooders International Investment Limited ("Gooders"). Gooders agreed to advance to the Company a bridging loan up to a limit of HK\$2,000,000 for a period of three months. The balance is unsecured, bears interest at the rate of 2% per month and is repayable on or before 25 December 2002.
- (c) On 20 September 2002, the Group entered into an agreement, through a subsidiary newly incorporated in the British Virgin Islands, Glorison Limited, to purchase a 10% equity interest in Imoeba (BVI) Limited ("Imoeba") from renren Asset Management Limited for a consideration of HK\$3,500,000. Furthermore, a loan of HK\$1,500,000 has been made to Imoeba following the aforesaid share acquisition.

## 23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 October 2002.